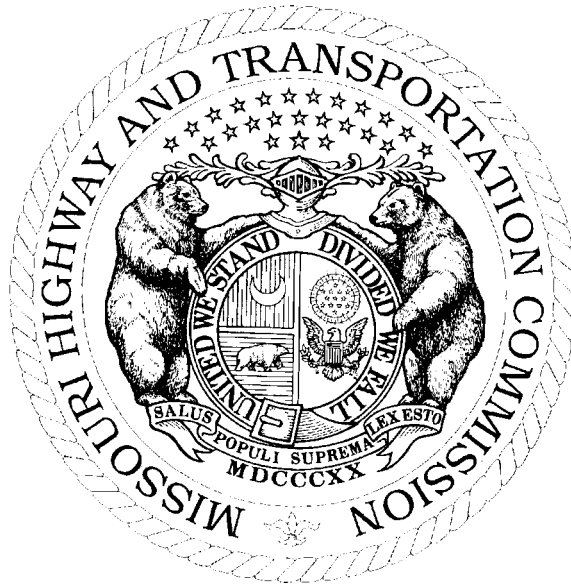


**MISSOURI DEPARTMENT
OF TRANSPORTATION**



Basic Financial Statements and Schedules

June 30, 2002

MISSOURI DEPARTMENT OF TRANSPORTATION

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Exhibit	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	A 10
Statement of Activities	B 11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	C 12
Statement of Revenues, Expenditures, and Changes in Fund Balances	D 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	E 14
Proprietary Funds:	
Statement of Net Assets	F 15
Statement of Revenues, Expenses and Changes in Net Assets	G 16
Statement of Cash Flows	H 17
Fiduciary Funds:	
Statement of Fiduciary Net Assets	I 18
Notes to Financial Statements	19
Schedule	
Required Supplementary Information:	
Budgetary Comparison Schedule – State Highways and Transportation Department Fund	1 37
Budgetary Comparison Schedule – State Road Fund	2 38
Budget Basis to GAAP Reconciliation and Disclosure	39
Combining Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	3 40
Combining Statement of Revenues, Expenditures, and Changes in Funds Balances	4 41
Internal Service Funds:	
Combining Balance Sheet	5 42
Combining Statement of Revenues, Expenses, and Changes in Net Assets (Accumulated Deficit)	6 43
Combining Statement of Cash Flows	7 44

Independent Auditors' Report

Missouri Highway and Transportation Commission:

We have audited the accompanying financial statements of the governmental activities, the State Highways and Transportation Department Fund, the State Road Fund, and the aggregate remaining fund information of the Missouri Department of Transportation as of and for the year ended June 30, 2002, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Missouri Department of Transportation are intended to present the financial position and the changes in the financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. Accordingly the financial statements do not include financial data for the Department's legally separate component units, or other transactions of the State of Missouri which are not attributable to the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2002 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 12, the Department adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*; during the year ended June 30, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the State Highways and Transportation Department Fund, the State Road Fund, and the aggregate remaining fund information of the Department,

as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also provided our report dated October 30, 2002 on our consideration of the Department's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying required supplementary information, such as management's discussion and analysis, and budgetary comparison information on pages 3 through 9 and 37 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying combining nonmajor fund financial statements are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 30, 2002

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

The management of the Missouri Department of Transportation (MoDOT) provides this discussion and analysis of MoDOT's financial performance during the fiscal year ended June 30, 2002 (FY02). Readers should consider this information in conjunction with the information that is furnished in the financial statements.

Because MoDOT is implementing the Governmental Accounting Standards Board (GASB) required new reporting standards for this fiscal year, which required significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining MoDOT's financial position and results of operations.

Basic Financial Statements Descriptions

As required by the GASB accounting standards, this annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, notes to the financial statements, and other required supplementary information.

The basic financial statements include two kinds of statements that present different views of the department:

- 1) **Government-Wide Financial Statements** report information about MoDOT as a whole using accounting methods similar to those used by private-sector companies, by using the economic resources measurement focus and accrual basis of accounting. These statements provide both long-term and short-term information about the department's overall financial status. Therefore, over time, increases or decreases in the net assets are an indicator of whether the department's financial health is improving or deteriorating. There are two government-wide statements:
 - The Statement of Net Assets includes all of the department's assets and liabilities.
 - The Statement of Activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.
- 2) **Fund Financial Statements** provide more detailed information than the government-wide statements about MoDOT's most significant funds—not the department as a whole. Funds are created by state law and are accounting devices that the state uses to keep track of specific sources of revenue and spending. The department uses two types of funds:
 - Governmental funds – Most of MoDOT's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the differences between them.
 - Proprietary funds – MoDOT uses internal service funds (one kind of proprietary fund) to report activities for the Commission's Self-Insurance Plan and the MoDOT and Patrol Medical and Life Insurance Plan. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Notes to the Financial Statements are included for the Government-Wide and Fund financial statements that interpret and explain some of the information in the financial statements and provide more detailed data.

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

Other Required Supplementary Information follows the Statements and Notes and further explain and support the information in the financial statements. This section includes combining statements for non-major governmental funds and internal service funds, and a budgetary comparison schedule.

Condensed Information Government-wide Financial Statements

Net Assets

MoDOT's combined net assets were \$24,358,315,750 at the end of FY02, an increase of only \$6,286,524 over the beginning FY02 balance of \$24,352,029,226. Comparative data for this report will be available beyond this implementation year.

The main component of total assets (97%) is capital assets, which consist of roads, bridges, buildings, land for the roads and bridges, vehicles and equipment. Long-term liabilities are the largest component (79%) of total liabilities, and is comprised mainly of outstanding bonds issued beginning in 2000 for the construction of roads and bridges.

MoDot's Net Assets (Summarized) (in millions of dollars)

Current and other assets	\$	869
Capital assets		<u>24,543</u>
Total assets	\$	<u><u>25,412</u></u>
Long-term liabilities	\$	837
Other liabilities		<u>217</u>
Total liabilities	\$	<u><u>1,054</u></u>
Net assets:		
Invested in capital assets, net of related debt	\$	23,968
Restricted for highway and transportation		346
Restricted for debt service		<u>44</u>
Total net assets	\$	<u><u>24,358</u></u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

Changes in Net Assets

The main components of revenue are from federal government reimbursements (44%) and fuel taxes (26%). Depreciation of capital assets is the largest expense (53%). Maintenance (14%) and Construction (12%) of roads and bridges are other main components of program expenses. Comparison of activities over time can be used as an indicator of a government's financial position. As noted previously, that information will be available beyond this implementation year.

MoDot's Statement of Activities (Summarized) (in millions of dollars)

Program revenues:	
Licenses, fees, and permits	\$ 262
Cost reimbursement/misc.	60
Federal government	831
Other	21
General revenues:	
Fuel tax	496
Sales and use tax	186
Other	36
Total revenues	<u>1,892</u>
Program expenses:	
Administration	40
Service operations	60
Maintenance	255
Construction	225
Multimodal operations	51
Debt service	21
Other state agencies	166
Internal service funds	75
Depreciation	993
Total program expenses	<u>1,886</u>
Change in net assets	6
Net assets, beginning	<u>24,352</u>
Net assets, ending	<u><u>\$ 24,358</u></u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

Assessment of Overall Financial Position and Results of Operations

- The cost of all activities this year was \$1.9 billion. As noted previously, comparisons of activities over time will be indicators of financial position. That information will be available beyond this implementation year.
- MoDOT's assets exceeded its liabilities at June 30, 2002 by \$24.4 billion (presented as "net assets"). Of this amount, \$24.0 billion was "invested in capital assets, net of related debt."
- Missouri's constitution and statutes require all monies received from highway user fees and taxes be restricted for roads and bridges. Other monies are restricted for use by other transportation modes (aviation, rails, transit, waterways).
- During FY02, the department issued \$403 million in bonds. The Missouri Highways and Transportation Commission is authorized to issue bonds for the purpose of highway construction and construction engineering.
- There were no changes to the tax structures that fund MoDOT for FY02.
- The amount that taxpayers paid for activities through motor fuel taxes was \$496 million.
- The amount that users of the highway system paid through licenses, fees and permits was \$262 million.
- The amount that users of the highway system paid through sales and use taxes was \$186 million.
- Overall, the financial position of the department improved by \$6 million during FY02, reported as the "change in net assets."

Fund Balance Analysis and Availability

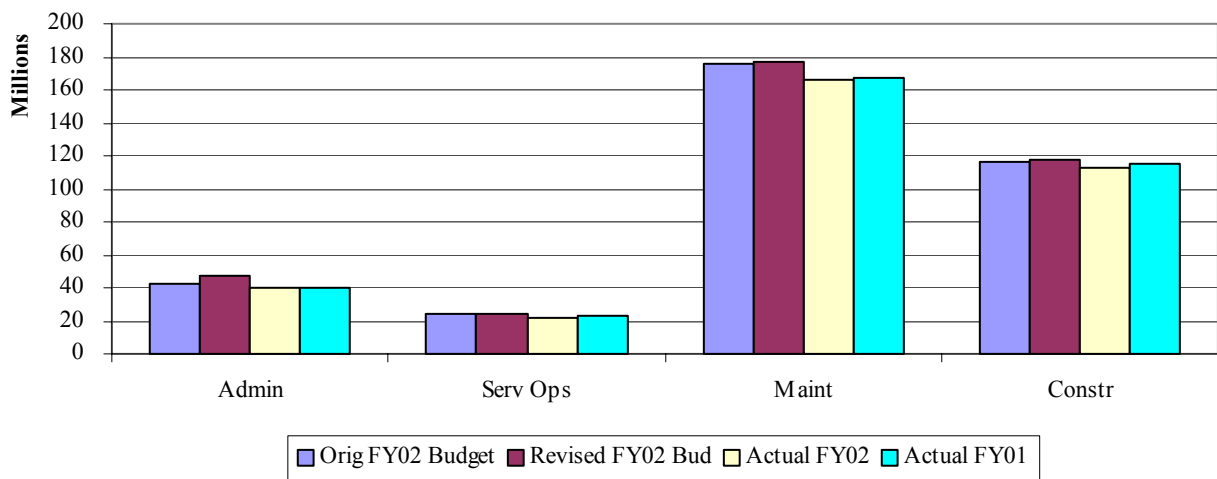
At the end of the fiscal year, MoDOT's governmental funds reported a combined fund balance of \$641 million. The only significant change in fund balance was the proceeds from the issuance of Series 2001 bonds (\$200 million) in October 2001 and Series 2002 bonds (\$203 million) June 2002 for the purpose of highway construction. Repayment of bond principal and interest for FY03 totals \$44 million.

MISSOURI DEPARTMENT OF TRANSPORTATION

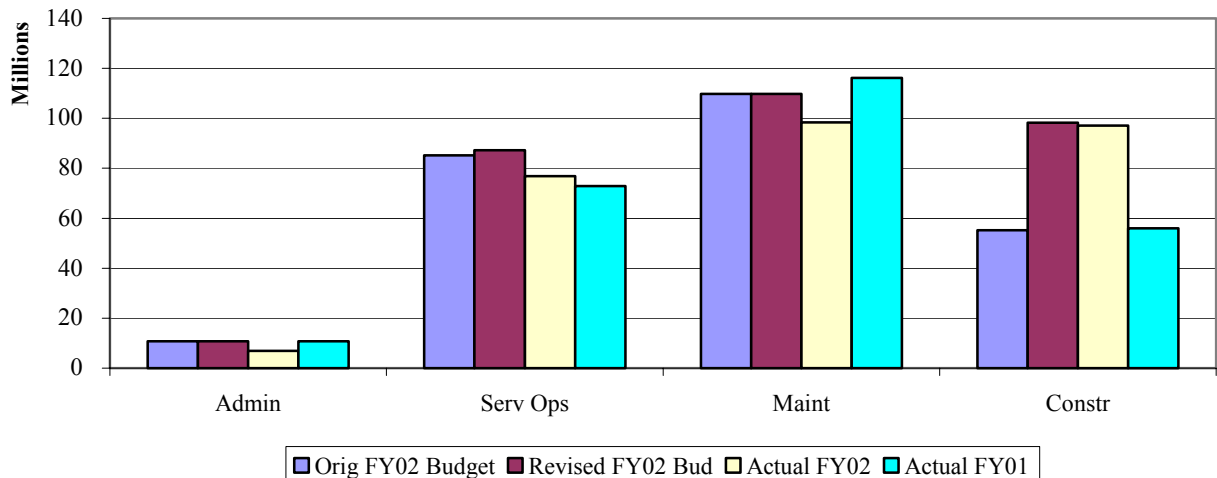
Management's Discussion and Analysis

Analysis of Budget to Budget and Budget to Actual (variations from budgetary comparison schedules)

Personal Services and Fringe Benefits expenditures for FY02 were \$3 million less than in FY01. The department implemented a comprehensive review of position vacancies, and limited authorizations to fill certain vacancies during FY02. This caused a related decrease in required retirement system contributions. Due to increased rates in fringe benefits - workers' compensation and medical insurance contributions - expenses increased even with reductions in staff.



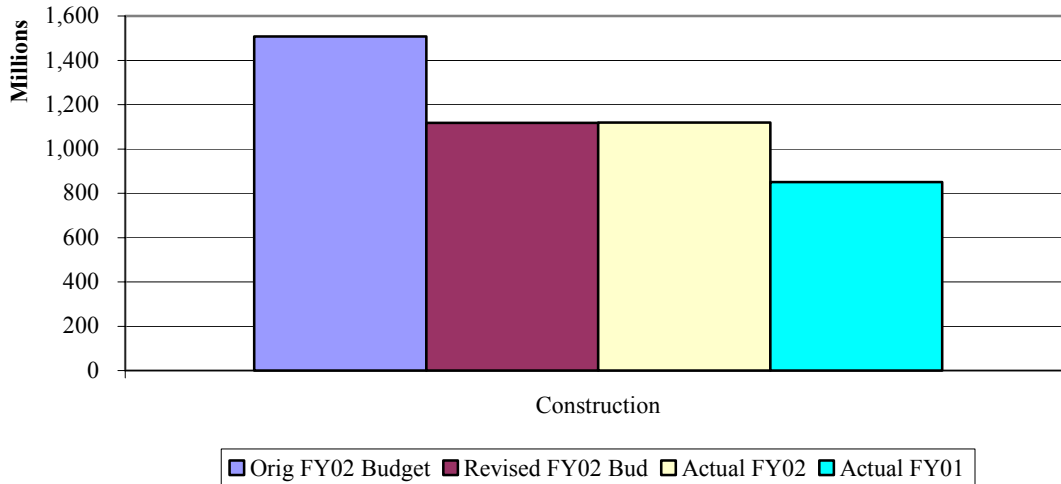
Service Operations Expense and Equipment (E&E), which includes fleet and capital improvements, ended the year under budget by \$10 million. Those amounts had been encumbered prior to year-end and will be expended in FY03. The Maintenance E&E expenditures were \$11 million less than budgeted due to contingency funds and a relatively mild winter. The Construction E&E increase in budget and actual was caused by additional design consultant costs resulting from bonding.



MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

Construction's Program Specific Distribution appropriations increased over the previous year's actual mainly because of bonding. The original budget was established with original bond revenue amounts. The revised budget represents only those amounts still available in FY02.



Capital Asset and Debt Administration

Capital Assets

At the end of 2002, the department had invested \$24.5 billion in capital assets, net of depreciation, including equipment, buildings, facilities, roads, bridges, and land. The July 1, 2002 *replacement cost* for the state's infrastructure (roads and bridges) has been estimated at \$65 billion. More detailed information about the department's capital assets is presented in Note 1 to the financial statements. This year's major capital asset additions, deletions, and retirements included (dollars in thousands):

	July 1, 2001 balance	Additions	Deletions/ retirements	June 30, 2002 balance
Land and improvements	\$ 1,874,636	164	443	1,874,357
Buildings	142,258	3,536	390	145,404
Equipment and vehicles	356,589	60,543	50,331	366,801
Infrastructure	35,522,736	516,280	4,697	36,034,319
Construction and infrastructure in progress	1,960,833	1,112,425	514,370	2,558,888
Accumulated depreciation	(15,493,627)	(992,712)	(49,370)	(16,436,969)
Total	\$ 24,363,425	700,236	520,861	24,542,800

Long-term Debt

At the end of 2002, the department had \$747 million in outstanding long-term debt, including \$646 million in outstanding bonds. More detailed information about the department's long-term liabilities is presented in Note 7

MISSOURI DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

to the financial statements. New debt resulted mainly from the October 2001 bond issue of \$200 million and the June 2002 bond issue of \$203 million.

The department's bonds are rated by S&P and Fitch at AA and Moody's at Aa2. This is the second highest possible rating and has been maintained by the department since the inception of the bonding in 2000. The department is limited by statute to a total debt of \$2.25 billion.

Future Conditions Affecting Financial Position or Results of Operations

- State revenues are projected to increase 2.5% during FY03 over FY02.
- Federal funds authorizations are projected to decrease from approximately \$720 million in FY02 to approximately \$699 million for FY03. The department assumes 90% of FY03 federal funding will be released for obligation.
- FY03 construction program awards and payments include increased funding from \$203 million of transportation revenue bonds issued in June 2002. It is not anticipated that any bonds will be issued in FY03.
- No inflation increases for expense and equipment were added to the FY03 budget per the direction of the Missouri Legislature.
- Fringe benefits are projected to increase approximately 3.6% for FY03, even though salaries and wages are projected to decrease by approximately 3.9%. This is primarily due to increasing medical plan costs and workers' compensation costs.
- Several programs from other state agencies were combined into MoDOT effective July 2002. This occurred as the result of legislative action and the governor's executive order, which created the "One Stop Shop" for motor carrier and railroad operators and overdimension/overweight permitting.
- The 6-cent per gallon motor fuel tax was scheduled to expire on April 1, 2008. The expiration was eliminated by legislative action and was signed into law by the governor.
- Certain fees for motor vehicle and trailer licenses and licenses for chauffeurs, operators and drivers licenses was increased by legislative action and was signed into law by the governor. This fee increase will be effective July 1, 2003 and will generate an estimated \$9 million for MoDOT.

Contacting the Department's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of MoDOT's finances and to demonstrate the department's accountability for the money it receives. Questions about this report or requests for additional financial information should be sent to the Controller's Office, Missouri Department of Transportation, 105 W. Capitol Avenue, Jefferson City, MO 65109.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

June 30, 2002

	Governmental activities
	<hr/>
Assets	
Cash and investments	\$ 592,931,200
Miscellaneous receivables	33,511,084
Due from federal government	56,342,944
Taxes receivable - due from other funds	109,731,669
Restricted cash and investments	43,976,457
Inventory	27,504,783
Loans receivable	2,592,046
Bond issue costs	2,452,849
Capital assets:	
Assets not being depreciated	4,423,907,815
Assets being depreciated, net	<u>20,118,891,652</u>
Total assets	<u>25,411,842,499</u>
Liabilities	
Accounts payable	179,485,937
Contract retainage	30,457,077
Unearned revenue	6,994,679
Long-term liabilities:	
Due within one year	71,840,612
Due in more than one year	<u>764,748,444</u>
Total liabilities	<u>1,053,526,749</u>
Net Assets	
Invested in capital assets, net of related debt	23,967,985,910
Restricted for:	
Debt service	43,976,457
Highway and transportation	<u>346,353,383</u>
Total net assets	<u>\$ 24,358,315,750</u>

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Activities

Year ended June 30, 2002

	Governmental activities
Program expenses:	
Administration	\$ 39,831,682
Service operations	59,672,318
Maintenance	255,408,308
Construction	225,073,611
Multimodal operations	50,725,292
Interest expense	20,505,032
Other state agency	166,295,368
Self-insurance	20,976,608
Medical & life insurance	54,257,447
Depreciation expense	992,712,106
Total program expenses	<u>1,885,457,772</u>
Program revenue:	
Licenses, fees and permits	261,831,081
Intergovernmental cost reimbursement/miscellaneous	60,052,094
Interest	93,038
Federal government – operating	22,190,029
Federal government – capital	809,267,627
Employee premiums	21,190,846
Total program revenue	<u>1,174,624,715</u>
Net expense of program	<u>(710,833,057)</u>
General revenues and transfers:	
Fuel tax	495,629,252
Sales and use tax	185,895,399
Investment and interest	18,209,770
Transfers related to appropriations	17,385,160
Total general revenues and transfers	<u>717,119,581</u>
Change in net assets	6,286,524
Net assets at beginning of year	<u>24,352,029,226</u>
Net assets at end of year	<u>\$ 24,358,315,750</u>

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Balance Sheet – Governmental Funds

June 30, 2002

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 43,989,626	510,638,359	7,546,691	562,174,676
Restricted cash and investments	—	43,976,457	—	43,976,457
Miscellaneous receivables	334,857	30,283,545	41,112	30,659,514
Due from federal government	—	52,178,297	4,164,647	56,342,944
Taxes receivable - due from other funds	96,860,529	12,407,980	463,160	109,731,669
Loans receivable	—	—	2,592,046	2,592,046
Due from other funds	—	2,507,670	—	2,507,670
Inventory	35,851	27,468,932	—	27,504,783
Total assets	\$ 141,220,863	679,461,240	14,807,656	835,489,759
Liabilities and Fund Balance				
Liabilities:				
Vouchers payable	\$ 20,557,555	109,194,249	4,595,647	134,347,451
Contract retainage	—	30,457,077	—	30,457,077
Deferred revenue	—	29,423,665	367,715	29,791,380
Due to other funds	—	—	29,042	29,042
Total liabilities	20,557,555	169,074,991	4,992,404	194,624,950
Fund balances:				
Reserved for:				
Loans receivable	—	—	2,592,046	2,592,046
Inventory	35,851	27,468,932	—	27,504,783
Unreserved	120,627,457	482,917,317	7,223,206	610,767,980
Total fund balance	120,663,308	510,386,249	9,815,252	640,864,809
Total liabilities and fund balance	\$ 141,220,863	679,461,240	14,807,656	835,489,759
Total fund balance from fund statement above			\$	640,864,809
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:				
Capital assets, net of depreciation of \$992,712,106, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.				24,542,799,467
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.				27,223,359
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets.				(18,435,678)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(834,136,207)
				\$ 24,358,315,750

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds

Year ended June 30, 2002

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Funds	Total
Revenues:				
Fuel tax	\$ 495,262,077	83,854	283,321	495,629,252
Sales and use tax	40,323,230	139,519,172	6,052,998	185,895,400
Licenses, fees and permits	165,844,071	95,987,010	—	261,831,081
Intergovernmental/cost reimbursements/miscellaneous	1,862,963	42,290,969	1,712,613	45,866,545
Investment and Interest	3,145,383	12,669,146	184,678	15,999,207
Federal government	—	809,267,627	22,190,029	831,457,656
Total revenues	706,437,724	1,099,817,778	30,423,639	1,836,679,141
Expenditures:				
Administration	47,379,378	433	—	47,379,811
Service operations	22,519,838	111,579,714	—	134,099,552
Maintenance	167,359,501	109,061,914	—	276,421,415
Construction	114,467,100	1,219,980,303	—	1,334,447,403
Multimodal operations	185,550	6,785	50,598,256	50,790,591
Debt service	—	46,018,152	—	46,018,152
Bond issuance cost	—	2,471,713	—	2,471,713
Other state agency	182,084,005	—	48,905	182,132,910
Total expenditures	533,995,372	1,489,119,014	50,647,161	2,073,761,547
Excess of revenues over (under) expenditures	172,442,352	(389,301,236)	(20,223,522)	(237,082,406)
Other financing sources (uses):				
Long-term debt issued	—	436,376,004	—	436,376,004
Premium on bonds	—	11,891,634	—	11,891,634
Proceeds from capital leases	—	34,295,026	—	34,295,026
Proceeds from the sale of capital assets	—	6,935,010	—	6,935,010
Operating transfers in	—	165,211,820	—	165,211,820
Operating transfers out	(165,211,820)	—	—	(165,211,820)
Transfers related to appropriations	—	—	17,385,160	17,385,160
Total other financing sources (uses)	(165,211,820)	654,709,494	17,385,160	506,882,834
Excess of revenues and other financing sources over (under) expenditures and other uses	7,230,532	265,408,258	(2,838,362)	269,800,428
Fund balances, beginning of year, as restated (note 12)	113,432,776	244,977,991	12,653,614	371,064,381
Fund balances, end of year	\$ 120,663,308	510,386,249	9,815,252	640,864,809

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2002

Net change in fund balances – total governmental funds	\$ 269,800,428
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,142,372,995) exceeded depreciation (\$992,712,106) in the current period.	149,660,889
In the statement of activities, only the gain on the sale of the assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.	(6,491,617)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,992,987
Proceeds from the issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(410,872,621)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,734,331)
Internal service funds are used by management for the medical and life insurance and self-insurance plans. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(6,069,211)
Change in net assets of governmental activities	\$ <u>6,286,524</u>

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Net Assets

Proprietary Funds

June 30, 2002

		Internal Service Funds
	Assets	
Cash		\$ 8,946,554
Investments in U.S. Securities		21,809,970
Prepaid Expense		117,822
Miscellaneous Receivables		372,942
Total assets		<u>31,247,288</u>
	Liabilities	
Vouchers payable		1,435,896
Pending self-insurance claims		23,314,864
Deferred revenue		4,426,660
Incurred but not reported claims		20,505,546
Total liabilities		<u>49,682,966</u>
	Net Assets	
Unrestricted net assets (accumulated deficit)		<u>(18,435,678)</u>
Total net assets		<u><u>\$ (18,435,678)</u></u>

See accompanying notes to financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Activities

Proprietary Funds

Year ended June 30, 2002

	<u>Internal Service Funds</u>
Operating revenues:	
Insurance premiums:	
Highway workers' compensation	\$ 6,838,990
Highway patrol workers' compensation	2,534,582
Highway fleet vehicle liability	885,876
General liability	1,482,828
Contributions:	
State	34,178,949
Member	21,190,845
Other	716,645
Total operating revenues	<u>67,828,715</u>
Operating expenses:	
Program	579,858
Self-insurance claims:	
Highway workers' compensation	10,706,243
Highway patrol workers' compensation	2,018,324
Highway fleet vehicle liability	1,674,295
Highway general liability	5,997,888
Medical and life:	
Insurance premium	4,522,578
Claims	37,495,066
Administrative service	1,979,526
Prescription drugs	10,121,098
Professional fees	110,587
Other	28,594
Total operating expenses	<u>75,234,057</u>
Operating loss	<u>(7,405,342)</u>
Nonoperating revenues:	
Interest income	1,302,180
Net increase in fair value of investments	33,951
Total nonoperating revenues	<u>1,336,131</u>
Net loss	<u>(6,069,211)</u>
Net assets (accumulated deficit) at beginning of year	<u>(12,366,467)</u>
Net assets (accumulated deficit) at end of year	<u>\$ (18,435,678)</u>

See accompanying notes to basic financial statements.

Exhibit H

MISSOURI DEPARTMENT OF TRANSPORTATION
Combined Statement of Cash Flows – Internal Service Funds
Year ended June 30, 2002

	<u>Internal Service Funds</u>
Cash flows from operations:	
Receipt from customers	\$ 67,862,715
Payment to suppliers	(66,251,603)
Net cash provided by operating activities	<u>1,611,112</u>
Cash flows from investing activities:	
Sale of investments	16,005,446
Purchase of investments	(15,071,785)
Interest on investments	<u>1,302,180</u>
Net cash provided by investing activities	<u>2,235,841</u>
Net increase in cash and cash equivalents	3,846,953
Cash and cash equivalents at beginning of year	<u>5,099,601</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,946,554</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (7,405,342)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in receivables	34,000
(Increase) in prepaids	(117,822)
Increase in accounts payable	7,317,285
Increase in deferred revenue	<u>1,782,991</u>
Net cash provided by operating activities	<u><u>\$ 1,611,112</u></u>

See accompanying notes to combined financial statements.

MISSOURI DEPARTMENT OF TRANSPORTATION

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2002

Assets	
Cash and investments	\$ <u>54,702,119</u>
Liabilities	
Due to other funds	\$ 2,478,628
Advances from other governments	<u>52,223,491</u>
Total liabilities	\$ <u>54,702,119</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The State Highway Department was created in 1913 to act as the state's agent for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance.

In 1979, the State of Missouri passed a constitutional amendment merging the State Highway Department with the Department of Transportation (the Department). This constitutional amendment gave a newly created Highway and Transportation Commission (the Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor with the consent of the Senate for a term of six years.

(a) *Financial Reporting Entity*

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Certain legally separate organizations involved in transportation related projects such as the Missouri Transportation Finance Corporation, Highway 179 Transportation Corporation, Fulton 54 Transportation Corporation, 210 Highway Transportation Development District, and the Lake of the Ozarks Community Bridge Corporation are considered component units. The financial statements of these legally separate organizations are not included herein. Because the Department is not legally separate from the State of Missouri, the financial statements of the Department are included in the financial statements of the State of Missouri. The State of Missouri's Comprehensive Annual Financial Report may be obtained by writing to the State of Missouri.

(b) *Basis of Presentation and Fund Structure*

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activities of the Department, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., Transportation) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Fund Financial Statements. The fund financials statements provide information about the Department's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

State Highways and Transportation Department Fund – This fund is established by Section 226.200, RSMo. to receive revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer the Highway and Transportation Commission and the Department of Transportation, to administer and enforce any state motor vehicle laws or traffic regulations, and to provide other related functions.

State Road Fund – This fund is constitutionally established to receive monies from the motor vehicle sales tax, the federal government, transfers from the State Highways and Transportation Department Fund and the State's Motor Fuel Tax Fund, and any other revenues held by the Department not required to be in another fund. Appropriated disbursements consist of costs incurred to construct, improve, and maintain the state highway system.

The Department reports the following additional funds types:

Internal Service Funds – These funds account for the financing of goods or services provided to other departments on a cost-reimbursed basis. These funds are used to account for medical and life insurance coverage of Department personnel and the State Highway Patrol along with the Self-Insurance activities of the Department.

Agency Fund – This fund accounts for monies held on behalf of various political subdivisions and other interested parties and will be used to reimburse the Department for expenditures incurred by the Department on behalf of the previously mentioned parties.

(c) **Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, includes fuel taxes, sales and use taxes, grants, entitlements, and donations. On an accrual basis, revenues from fuel and sales and use taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from grants, entitlements and donation are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (within 60 days). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Sales taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are recorded as other financing sources.

(d) *Statement of Cash Flows*

Pooled cash and cash equivalents include cash and short-term investments.

(e) *Inventories*

Inventories are valued at cost using the weighted average method. Inventories are recorded as expenditures/expenses when consumed rather than when purchased.

(f) *Interfund Transactions*

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

(g) *Capital Assets*

Capital assets, which include property, buildings, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Infrastructure assets are those assets which are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The entity capitalizes assets with an expected useful life greater than one year if the cost is greater than \$1,000 for equipment and greater than \$15,000 for buildings and land improvements. No dollar threshold is set for land and infrastructure. Donated capital assets are recorded at their fair market value at the date of the donation.

Infrastructure constructed prior to July 1, 2001 has been recorded at an estimated value of \$35,522,736,290. The estimated historical cost for years 1909–2001 was based on the current average cost per lane mile for roadways and per square foot for bridges. These costs were indexed to the construction date using the Federal Highway Administration's *Price Trends for Federal Aid Highway Construction*. The cost of normal maintenance and repairs that do not add to the asset's

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

value or materially extend an asset's life are not capitalized. Construction period interest is not capitalized.

Right-of-Way purchased prior to July 1, 2001 has been recorded at an estimated value of \$1,834,408,198. The estimated historic cost was based on the current average cost per acre indexed back to the approximate year of purchase using the Consumer Price Index and the number of acres determined from highway segment dimensions.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets, including infrastructure, are depreciated on the straight-line method over the asset's estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Vehicles, machinery, and equipment	1 to 20 years
Buildings and other improvements	10 to 50 years
Infrastructure	12 to 50 years

(h) *Deferred Revenue*

The Department has recorded deferred revenue in the State Road Fund relating to long-term receivables.

(i) *Compensated Absences*

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to \$28,622,559 as of June 30, 2002 which is recorded in the government-wide financial statements. Employees are not paid for accumulated sick leave upon retirement or termination.

(j) *Bond Premiums, Discounts, and Issuance Costs*

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(k) Reservations of Fund Equity

Reserves, restrictions and designations are reported in the various funds to indicate that a portion of the fund balance or net assets is restricted by law or contract for a specific purpose.

(l) Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including accrued liabilities for compensated absences and claims and judgments. Actual results could differ from those estimates.

(n) Related Party Transactions

The Department sells petroleum products to various other state agencies. Significant sales related to the Missouri Highway Patrol were \$1,516,330 during the fiscal year.

(2) Cash and Investments

Missouri Statute 30.270.2 RSMo. 1994 authorizes the Department, with certain restrictions, to deposit funds in open accounts, time deposits, certificates of deposit, repurchase agreements, and United States treasury bills and notes. Statutes also require collateral pledged to have a fair market value equal to 100% of the funds on deposit, less insured amounts, and the underlying investments must be assigned for the benefit of the Department. Collateral securities must be held by the Department or an independent third-party and must be of the kind prescribed by State Statutes and approved by the State Treasurer of Missouri.

Pooled cash and investments include amounts pooled in the State Treasury. Interest income earned on cash and investments pooled in the State Treasury is allocated to the funds based on the respective investment and cash balances.

Cash – At June 30, 2002, the carrying value of the Department's deposits at the State Treasury and third-party financial institutions were \$606,151,133 and \$8,603,355, respectively. The bank balance was \$10,300,722, of which \$106,511 was covered by federal depository insurance and \$10,194,011 was covered by collateral held by a third-party bank under a joint custody agreement. Monies were also

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

deposited in overnight repurchase agreements held by the dealer bank's trust department in the Department's name.

Investments – The Department's investments are reported at fair value and are categorized below to give an indication of the level of custodial risk assumed by the Department at year-end. Category A includes investments which are insured or registered, or for which the securities are held by the Department or its agent in the Department's name or under joint custody agreements. Category B includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department in the Department's name. Category C includes uninsured, unregistered investments for which the securities are held by the financial institution or its trust department or its agent, but not in the Department's name.

Type	Category			Fair value
	A	B	C	
Repurchase agreements	\$ 40,044,773	—	—	40,044,773
U. S. treasury securities	—	36,810,515	—	36,810,515
	<u>\$ 40,044,773</u>	<u>36,810,515</u>	<u>—</u>	<u>76,855,288</u>
Total deposits (categorized above)				<u>614,754,488</u>
Total deposits and investments				<u>\$ 691,609,776</u>

At June 30, 2002, the Department's deposits and investments consist of the following:

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Funds	Internal Service Funds	Local Agency Fund
Pooled cash and investments:					
Cash and investments pooled in the State Treasury	\$ 43,989,625	510,638,359	7,546,691	—	—
Cash deposited with banks	—	—	—	8,603,356	—
Repurchase agreements	—	—	—	343,198	—
Government securities	—	—	—	21,809,970	—
	<u>\$ 43,989,625</u>	<u>510,638,359</u>	<u>7,546,691</u>	<u>30,756,524</u>	<u>—</u>
Interest receivable	<u>\$ 334,857</u>	<u>2,631,899</u>	<u>41,112</u>	<u>218,730</u>	<u>—</u>
Restricted assets:					
Cash and investments pooled in the State Treasury	\$ —	43,976,457	—	—	—
Repurchase agreements	—	—	—	—	39,701,574
Government securities	—	—	—	—	15,000,545
	<u>\$ —</u>	<u>43,976,457</u>	<u>—</u>	<u>—</u>	<u>54,702,119</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(3) Taxes

Tax revenues for the year were as follows:

	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Funds
Fuel tax	\$ 495,262,077	83,854	283,321
Vehicle sales and use tax	40,323,230	139,519,172	6,052,998
	<u>\$ 535,585,307</u>	<u>139,603,026</u>	<u>6,336,319</u>

Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- *Fuel tax* is paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and special fuel (primarily diesel fuel and liquefied petroleum gas) authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo., respectively. The tax rate on gasoline is \$.17 per gallon. The Department receives 75% of the first \$.11 and 70% of the next \$.06. The remaining tax is distributed to cities and counties. The tax rate on aviation fuel is \$.09 per gallon and on special fuels is \$.17 per gallon.
- *Vehicle sales and use taxes* are paid on the purchase of any new or used motor vehicle or trailer and on vehicles purchased out of state and titled in Missouri or a tax on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo., respectively. The general sales tax rate is 3% and Proposition C tax (RSMo. 144.701) is 1% for a total of 4%. Of the 4%, the Department receives 75% of 50% of the tax. The remaining 25% is distributed to cities and counties. The Department receives 100% of the 3% general use tax and 75% of the Proposition C use tax, and the other 25% is distributed to cities and counties.

(4) Interfund Transactions

Operating transfers for the year are:

	Transfers in	Transfers out
State Highways and Transportation Department Fund	\$ —	165,211,820
State Road Fund	165,211,820	—
	<u>\$ 165,211,820</u>	<u>165,211,820</u>

The Department is required by State Statute to transfer any unspent monies in the State Highways and Transportation Department Fund to the State Road Fund.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Amounts due to/from other funds at year-end were as follows:

	Due To	Due From
Non-major Funds	\$ —	29,042
State Road Fund	2,507,670	—
Local Agency Fund	—	2,478,628
	<u>\$ 2,507,670</u>	<u>2,507,670</u>

The due to/from the State Road Fund and the Local Agency Fund represent reimbursements for expenditures incurred by the State Road Fund for which the Local Agency Fund had yet to reimburse at June 30, 2002.

(5) Receivables

Receivables at June 30, 2002 were as follows:

Type	State Highways and Transportation Department Fund	State Road Fund	Nonmajor Funds	Internal Service Funds	Total	Due within a year
Federal government	\$ —	52,178,297	4,164,647	—	56,342,944	56,342,944
Taxes	96,860,529	12,407,980	463,160	—	109,731,669	109,731,669
Reimbursements	—	27,651,645	—	—	27,651,645	17,068,652
Interest	334,857	2,631,899	41,112	218,730	3,226,598	3,226,598
Contributions	—	—	—	154,212	154,212	154,212
Notes	—	—	2,592,046	—	2,592,046	348,279
Total	<u>\$ 97,195,386</u>	<u>94,869,821</u>	<u>7,260,965</u>	<u>372,942</u>	<u>199,699,114</u>	<u>186,872,354</u>

The federal government receivable represents funds to be received on federally participating projects. Notes receivable represent loans to the cities and counties for nonhighway related projects.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(6) Capital Assets

Changes in capital assets are summarized below:

	Balances July 1, 2001	Additions	Deletions/ Retirements	Balances June 30, 2002
Non-depreciable capital assets:				
Land	\$ 1,865,360,659	102,512	443,393	1,865,019,778
Construction in progress	188,372,599	83,362,370	—	271,734,969
Infrastructure in progress	1,772,460,024	1,029,062,588	514,369,544	2,287,153,068
Total non-depreciable capital assets	3,826,193,282	1,112,527,470	514,812,937	4,423,907,815
Depreciable capital assets:				
Land improvements	9,274,939	61,657	—	9,336,596
Buildings	142,258,021	3,535,697	389,987	145,403,731
Equipment	219,588,187	21,668,568	33,128,410	208,128,345
Vehicles	137,001,568	38,874,635	17,202,296	158,673,907
Infrastructure	35,522,736,290	516,280,236	4,697,228	36,034,319,298
Total depreciable capital assets	36,030,859,005	580,420,793	55,417,921	36,555,861,877
Accumulated depreciation – land improvements	4,951,004	271,503	—	5,222,507
Accumulated depreciation – building	50,220,554	3,837,960	297,725	53,760,789
Accumulated depreciation – equipment	138,710,066	18,500,411	28,289,387	128,921,090
Accumulated depreciation – vehicles	77,720,770	15,891,451	16,085,356	77,526,865
Accumulated depreciation – infrastructure	15,222,025,421	954,210,781	4,697,228	16,171,538,974
Total accumulated depreciation	15,493,627,815	992,712,106	49,369,696	16,436,970,225
Total depreciable capital assets, net	20,537,231,190	(412,291,313)	6,048,225	20,118,891,652
Total capital assets	\$ 24,363,424,472	700,236,157	520,861,162	24,542,799,467

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(7) Long-Term Debt

Long-term debt activity for the year ended June 30, 2002 was as follows:

Type of issue	Beginning balance	Additions	Reductions	Discount accreted	Ending balance	Due within a year
State road bonds	\$ 250,000,000	403,000,000	6,610,000	—	646,390,000	15,935,000
State road bond accrued interest	7,647,900	20,520,821	18,487,941	—	9,680,780	9,680,780
Advances from other governments	13,425,923	5,025,243	5,600,000	—	12,851,166	262,873
Advances from component units	63,899,109	15,609,822	14,813,772	522,782	65,217,941	14,448,498
Federal Highway Administration loan	15,000,000	—	—	—	15,000,000	—
Capital leases	2,402,501	34,295,026	8,023,857	—	28,673,670	5,661,057
Claims and judgments payable	15,212,242	6,144,400	2,983,862	—	18,372,780	3,674,556
Compensated absences	29,540,551	20,964,719	21,882,711	—	28,622,559	22,177,848
	<u>\$ 397,128,226</u>	<u>505,560,031</u>	<u>78,402,143</u>	<u>522,782</u>	824,808,896	<u>71,840,612</u>
			Add: Premium		11,780,160	
					<u>836,589,056</u>	

The detail of long-term debt at June 30, 2002 follows:

Series A 2000 State Road Fund bonds for the acceleration of projects in the Department's 5-year plan due in annual installments of \$6,610,000 to \$20,315,000 beginning February 1, 2002; interest varying from 4.25% to 5.63%	\$ 243,390,000
Series A 2001 State Road Fund bonds for financing of projects in conformity with the priorities established in the 1992 Plan developed by the Department due in annual installments of \$7,420,000 to \$15,605,000 beginning February 1, 2003; interest varying from 2.25% to 5.125%	200,000,000
Series A 2002 State Road Fund bonds for financing of projects in conformity with the priorities established in the 1992 Plan developed by the Department due in annual installments of \$7,435,000 to \$15,830,000 beginning February 1, 2004; interest varying from 3.00% to 5.25%	<u>203,000,000</u>
	<u>\$ 646,390,000</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Advances from other governments:

County of St. Charles to provide for the design of Route D in St. Charles County; principal due on January 2, 2003; no interest will accrue	\$ 262,873
County of St. Charles to provide for a location, needs, and cost study of a River Crossing on Hwy. 40 between St. Louis County and St. Charles County; principal due on July 1, 2020; no interest will accrue	137,799
City of St. Charles to provide for the forward funding and acceleration of an auxiliary lane on Rte. 70 at Rte. 94; principal due on December 31, 2006 or the month that the I-70/94 interchange project is awarded, whichever occurs first; no interest will accrue	1,358,000
Missouri Development Finance Board to upgrade Route 40 and develop the Route DD and Route 40 interchange; principal due on August 1, 2004; no interest will accrue	7,700,000
City of Mexico Missouri for the widening of Route 22; principal due in April 2004; no interest will accrue	1,015,599
City of Independence to provide for the improvement within the city limits; principal due on July 1, 2003; no interest will accrue	423,667
City of O'Fallon to accelerate a portion of the Route 364 (Page Avenue Extension) project which consists of constructing a south outer road parallel to Route N between Winghaven Blvd. to Missouri Rte. K; principal due July 1, 2015; no interest will accrue	42,536
City of Monett to make improvements to Route 60 in Barry County from 1.2 miles east of Route 37 to 1.8 miles east of Route 37; principal due in 2010; no interest will accrue	1,120,692
City of O'Fallon to extend Bryan Road from Feise Road to Route N across the Route 364 (Page Avenue Extension) right-of-way; principal due on December 31, 2008; no interest will accrue	790,000
	<u>\$ 12,851,166</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Advances from component units:

MTFC for the construction of the Cape Girardeau Bridge, principal payments due through August 1, 2003; principal payments range from \$2,000,000 to \$7,000,000; interest at the average rate earned on the State Road Fund for the sixty days prior to the payment due date (2.55% as of June 30, 2002)	\$ 12,000,000
Highway 179 Corporation for the construction of Highway 179; principal payments due through August 1, 2008; principal payments range from \$2,140,734 to \$2,946,997; interest at 3.19%	14,094,254
210 Highway Transportation Development District for the widening of 210 Highway; principal payments begin July 2006 and conclude July 2007; principal payments range from \$965,504 to \$2,375,000; no interest will accrue	7,115,000
Springfield, Missouri State Highway Improvement Corporation for widening and improvements to the West Bypass; principal payments due through August 2005; principal payments range from \$3,667,000 to \$5,000,000; no interest will accrue	18,667,000
Fulton 54 Transportation Corporation for the right-of-way acquisition and utility adjustments for Route 54 and HH interchange; principal payments will occur on September 1, 2004, 2005, 2006 and 2007; no interest will accrue	7,531,833
Wentzville Parkway Transportation Corporation for the expansion and reconstruction of the I-70 interchange and Wentzville Parkway; principal payment due July 1, 2006; no interest will accrue	5,809,854
	<u>\$ 65,217,941</u>
Federal Highway Administration loan; for the extension of Page Avenue in St. Charles; principal payment due as early as January 1, 2006; no interest will accrue	<u>\$ 15,000,000</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Capital lease obligations:

1998 lease-purchase of 4 copy machines, due in monthly installments of \$166 to \$632 through November 2003; interest varying from 1.75% to 16.02%	\$ 24,720
1998 John Deere track hoe, due in monthly installments of \$3,400 through October 2002; interest at 5.90%	41,656
2000 lease-purchase of 2 John Deere 770CH Motorgraders due in monthly installments of \$2,625 through August 2008; interest at 5.85%	256,838
2000 lease-purchase of 15 John Deere 770CH Motorgraders, due in monthly installments of \$19,688 through January 2008; interest at 5.85%	1,812,358
2000 lease-purchase of various copy machines, due in monthly installments of \$266 to \$375 through December 2004; interest varying from 0% to 22.69%	21,319
2001 lease-purchase of various copy machines, due in monthly installments of \$82 to \$4,212 through April 2006; interest varying from 0% to 18.87%	195,128
2001 lease-purchase of 2 copy machines, due in monthly installments varying from \$306 to \$916 through December 2005; interest varying from 9.80% to 12.34%	36,400
2001 lease-purchase of 2 copy machines, due in monthly installments of \$3,155 through April 2006; interest at 2%	139,594
2002 lease-purchase of 2 copy machines, due in monthly installments of \$138 and \$210 through April 2006; interest varying from 2.54% to 9.34%	14,028
2002 lease-purchase of 425 Dump Trucks, due in yearly installments of various amounts through June 2007; interest at 4.95%	26,131,629
	<u>\$ 28,673,670</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

Annual debt service requirements to maturity:

Fiscal year	Principal due	Interest due	Total due
State road bonds:			
2003	\$ 15,935,000	28,041,457	43,976,457
2004	23,455,000	31,085,649	54,540,649
2005	24,375,000	30,125,549	54,500,549
2006	25,340,000	29,153,644	54,493,644
2007	26,400,000	28,106,656	54,506,656
2008–2012	150,765,000	121,008,514	271,773,514
2013–2017	192,355,000	79,519,406	271,874,406
2018–2022	187,765,000	25,047,746	212,812,746
	<u>\$ 646,390,000</u>	<u>372,088,621</u>	<u>1,018,478,621</u>
Advances from other governments:			
2003	\$ 262,873	—	262,873
2004	1,439,266	—	1,439,266
2005	7,700,000	—	7,700,000
2006	—	—	—
2007	1,358,000	—	1,358,000
2008–2012	1,910,692	—	1,910,692
2013–2017	42,536	—	42,536
2018–2022	137,799	—	137,799
	<u>\$ 12,851,166</u>	<u>—</u>	<u>12,851,166</u>
Advances from component units:			
2003	\$ 14,448,498	755,687	15,204,185
2004	12,422,131	690,500	13,112,631
2005	9,753,965	485,720	10,239,685
2006	8,595,808	403,117	8,998,925
2007	13,296,850	314,936	13,611,786
2008–2012	6,700,689	—	6,700,689
	<u>\$ 65,217,941</u>	<u>2,649,960</u>	<u>67,867,901</u>
Capital leases:			
2003	\$ 5,661,057	1,710,039	7,371,096
2004	6,877,644	1,063,819	7,941,463
2005	7,205,004	720,822	7,925,826
2006	7,517,277	361,368	7,878,645
2007	189,868	77,882	267,750
2008–2012	1,222,820	56,619	1,279,439
	<u>\$ 28,673,670</u>	<u>3,990,549</u>	<u>32,664,219</u>

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

On May 30, 2000, the Governor approved House Bill 1742 which permits the General Assembly to authorize the Commission to issue up to \$2 billion in bonds in fiscal years 2001 to 2006. No more than \$500 million may be issued in any one year. The Commission has authorized the sale of \$254 million in bonds in fiscal year 2004.

(8) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various lawsuits against the Department arise incident to the Department's normal operations. These include workers' compensation, vehicle liability, general liability, inverse condemnation, and contractor suits. It is the policy of the Department not to purchase commercial insurance, but to manage its risks internally by setting aside assets for the settlement of certain claims in its Internal Service Fund, the Self-Insurance Fund. The Self-Insurance Fund services claims for workers' compensation, vehicle liability, and general liability. Per Section 537.610, RSMo., the liability of the state and its public entities on claims within the scope of Sections 537.600 to 537.650 shall not exceed \$2,111,043 for all claims arising out of a single accident or occurrence and shall not exceed \$316,656 for any one person in a single accident or occurrence as established by the Missouri Department of Insurance, except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287 RSMo.

		Beginning of fiscal year liability	Current claims and estimate changes	Claim payments	Balance at fiscal year-end
2001	\$	5,546,523	19,631,977	17,105,485	8,073,015
2002		8,073,015	23,629,280	20,396,749	11,305,546

Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 6%.

Inverse condemnation and contractor suits are paid from the State Road Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated claims payable represents the Department's determination of the expected losses to be realized on known claims pending. Department personnel estimate the claims liability based on prior claims experience. Estimated unreported claims represent expected losses or claims incurred but not reported. The unreported claims liability is established from data provided by an actuary.

(9) Defined Benefit Pension Plan

Membership in the Highway and Transportation Employee's and Highway Patrol Retirement System (the Retirement System) was established, and is administered, by a Board of Trustees in accordance with the Revised Statutes of Missouri. The Retirement System is a single-employer defined benefit public employee retirement system of the State of Missouri.

As the plan includes employees outside of the Department, the Retirement System is disclosed in accordance with the requirements of a cost-sharing multiemployer public employee retirement plan. The Retirement System provides retirement, death, and disability benefits to full-time employees (defined as at

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

least 1,000 hours to be worked annually), with benefits vesting after five years of creditable service. Contributions to the Retirement System are 23.29% of covered payroll. The Department made the required contribution of \$53,575,901. Any amendments to the plan are established by the Retirement System Board of Trustees.

Employees do not contribute to the Retirement System. The Retirement System's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a thirty - four year period). Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State Statute to be funded in advance. Contributions for the special consultant fees are funded on an actuarial basis.

The Retirement System issues its own stand-alone financial report. Copies may be requested from:

Highway and Transportation Employees' and
Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102

(10) Insurance Plan

The Highway Employees' and Highway Patrol Insurance Plan (the Medical and Life Plan) Internal Service Fund accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for Department employees and members of the Missouri State Highway Patrol. Changes to the plan are required to be approved by the Commission.

Incurred but not reported claims of \$9,200,000 are reported in the Medical and Life Plan as of June 30, 2002. These medical and prescription drug reserves are estimated based upon lag reports using an eighteen month run-off.

	Beginning of fiscal year liability	Current claims and estimate changes	Claim payments	Balance at fiscal year-end
2001	\$ 7,445,435	35,862,410	34,724,845	8,583,000
2002	8,583,000	38,112,066	37,495,066	9,200,000

(11) Commitments and Contingencies

(a) Unemployment Benefits

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Employment Division for benefit payments made to its former employees. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employees for wage credits earned prior to June 30, 2002. Consequently, this potential obligation is not included in the accompanying combined financial statements. Total reimbursements made by the Department during the fiscal year were \$490,878.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(b) Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 2002 amounted to approximately \$982,854,579. The federal portion of this total was approximately \$782,140,490 or 79%.

(c) Federal Funding

The Department receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for any expenditures which are disallowed under grant terms. The Department believes that such disallowances, if any, would be immaterial.

(d) Operating Leases

The Department is committed under leases for various office and maintenance equipment. Rental expenditures for the year ended June 30, 2002 amounted to \$2,888,491. Future minimum lease payments for these leases are as follows:

Year ending:	
2003	\$ 2,427,428
2004	436,109
2005	276,160
2006	75,065
2007	30,746
	<hr/>
	\$ 3,245,508
	<hr/>

(e) Hancock Amendment

The Missouri Constitution bars the general assembly from imposing taxes which, together with all other revenues of the state, excluding federal funds, exceed a specified revenue limit. The revenue limit is calculated by dividing total state revenues by the personal income of Missouri in 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made or the average of personal income of Missouri in the previous three calendar years, whichever is greater. In the event total state revenues exceed the revenue limit by 1% or more, excess revenues are refunded to taxpayers.

At June 30, 2002, the Department had liabilities for refunds computed in accordance with this amendment in the State Highways and Transportation Department Fund, the State Road Fund, and the Non-major governmental funds of \$114,475, \$15,821, and \$1,395, respectively.

MISSOURI DEPARTMENT OF TRANSPORTATION

Notes to Financial Statements

June 30, 2002

(f) *Litigation*

The Department is defending litigation brought by certain levee districts seeking to assess the Department for levee improvements. The Department contends that, among other defects, the demanded payments from the State Road Fund are unconstitutional and even if proper, the levee districts are improperly calculating the alleged benefits to the Department. Currently, the Department is unable to predict the ultimate outcome of these cases, but intends to defend its position vigorously, where possible.

(12) **Adoption of New Accounting Pronouncements**

Effective July 1, 2001, the Department adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the Department's financial statements. They require new information and restructure much of the information that the Department has presented in the past.

Effective July 1, 2001, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures.

Effective July 1, 2001, the Department adopted the provisions of Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This Interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in governmental funds. The effect of adopting this Interpretation was to increase fund balance and decrease compensated absences liability in the governmental funds as of June 30, 2001 as follows:

	State Highways and Transportation Department Fund	Other Governmental Funds
Fund balance at June 30, 2001 as previously reported	\$ 109,435,662	12,572,363
Removal of short-term compensated absence accrual	<u>3,997,114</u>	<u>81,251</u>
Fund balance at June 30, 2001, as as restated	<u><u>\$ 113,432,776</u></u>	<u><u>12,653,614</u></u>

MISSOURI DEPARTMENT OF TRANSPORTATION

State Highways and Transportation Department Fund

Required Supplementary Information – Budgetary Comparison

Year ended June 30, 2002

	Budgeted amounts		Actual	Variance between final budget and actual
	Original	Final		
Budgetary fund balance, July 1	\$ 30,919,323	30,919,323	30,919,323	
Resources (inflows):				
Fuel taxes	510,598,313	483,915,000	493,647,918	9,732,918
Vehicle sales and use taxes	43,448,201	36,908,952	40,330,767	3,421,815
Licenses, fees, and permits	168,770,856	166,028,600	167,091,846	1,063,246
Investment and interest	2,755,856	3,935,000	3,089,561	(845,439)
Intergovernmental/cost reimbursements/ miscellaneous	4,192,857	4,262,000	1,797,269	(2,464,731)
Amount available for appropriation	760,685,406	725,968,875	736,876,684	10,907,809
Charges to appropriations (outflows):				
Administration:				
Personal service	27,040,265	27,040,265	24,802,423	2,237,842
Fringe	15,177,813	19,787,293	15,499,479	4,287,814
Expense and equipment	10,802,708	10,802,708	6,934,322	3,868,386
Maintenance:				
Personal service	121,934,646	121,934,646	113,861,952	8,072,694
Fringe	54,319,899	54,535,960	51,778,177	2,757,783
Construction:				
Personal service	82,773,807	82,773,807	79,931,589	2,842,218
Fringe	34,129,527	34,276,198	33,190,863	1,085,335
Service operations:				
Personal service	17,532,221	17,532,221	15,579,564	1,952,657
Fringe	7,146,543	7,177,609	6,835,065	342,544
Multimodal operations:				
Personal service	162,996	162,996	143,723	19,273
Fringe	64,842	65,130	53,893	11,237
Appropriations spent by other state agencies	192,707,528	192,983,795	181,389,980	11,593,815
Total charges to appropriations	563,792,795	569,072,628	530,001,030	39,071,598
Transfers to Road Fund	163,917,464	201,215,655	165,211,820	
Budgetary fund balance, June 30	\$ 32,975,147	(44,319,408)	41,663,834	

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

State Road Fund

Required Supplementary Information – Budgetary Comparison

Year ended June 30, 2002

	Budgeted Amounts		Actual	Variance between final budget and actual
	Original	Final		
Budgetary fund balance, July 1	\$ 255,009,491	255,009,491	255,009,491	
Resources (inflows):				
Fuel taxes	331,687	85,000	84,627	(373)
Vehicle sales and use taxes	145,745,651	121,190,000	139,693,440	18,503,440
Licenses, fees, and permits	89,019,843	87,616,000	92,483,993	4,867,993
Investment and interest	15,423,070	12,065,000	8,898,546	(3,166,454)
Intergovernmental/cost reimbursements/miscellaneous	78,007,143	77,938,000	82,211,635	4,273,635
Federal government	687,025,000	720,336,000	795,200,136	74,864,136
Bond sales proceeds	404,000,000	402,000,000	413,049,331	11,049,331
Amount available for appropriation	<u>1,674,561,885</u>	<u>1,676,239,491</u>	<u>1,786,631,199</u>	<u>110,391,708</u>
Charges to appropriations (outflows):				
Maintenance/Preservation:				
Expense and equipment	109,777,200	109,777,200	98,349,782	11,427,418
Construction:				
Expense and equipment	55,263,520	98,263,520	97,115,275	1,148,245
Contracts	1,417,771,000	1,028,063,000	1,047,174,275	(19,111,275)
ROW Purchases	89,251,000	89,251,000	71,375,208	17,875,792
Service operations:				
Expense & equipment	85,241,770	87,241,770	76,810,649	10,431,121
Multimodal operations:				
Expense and equipment	15,000	15,000	7,362	7,638
Bond principal and interest payments	<u>21,950,893</u>	<u>25,097,941</u>	<u>25,097,941</u>	<u>—</u>
Total charges to appropriations	<u>1,779,270,383</u>	<u>1,437,709,431</u>	<u>1,415,930,492</u>	<u>21,778,939</u>
Transfers from Highway Fund	<u>163,917,464</u>	<u>201,215,655</u>	<u>165,211,820</u>	
Budgetary fund balance, June 30	<u>\$ 59,208,966</u>	<u>439,745,715</u>	<u>535,912,527</u>	

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Required Supplementary Information – Budget Basis to GAAP Reconciliation and Disclosure

Year ended June 30, 2002

The following is a reconciliation to the difference between the Department's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 41,663,834	535,912,527
Receivables	97,195,386	94,869,822
Due from other funds	—	2,507,670
Inventories	35,851	27,468,932
Accounts payable	(20,557,555)	(109,194,249)
Retainages payable	—	(30,457,077)
Deferred revenues	—	(29,423,665)
Investment market value adjustment	2,325,791	18,702,289
Fund balance, GAAP basis	<u>\$ 120,663,307</u>	<u>510,386,249</u>

Budgetary Principles and Presentation

The budgetary comparison schedules are presented on the Department's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received. Expenditures are recognized for cash disbursements made during the fiscal year and for adjustments made in the lapse period, as defined by the Office of Administration.

The legal authority for approval of the Department's budget and amendments for all funds, except the State Road Fund, rests with the State Legislature. The budgeted amounts lapse at the end of the lapse period. Approval of the State Road Fund budget and amendments is given by the Commission. The fund level is the legal level of control for the State Road Fund.

The Department develops its budget through processes involving each of its ten districts and the headquarters business units. Upon Commission approval, the legislative budget request is sent to the Office of Administration (OA) on October 1st which, in turn, is forwarded to the Governor's office. The Governor develops a recommendation regarding the budget and forwards both the budget request and the recommendation to the Legislature. The Legislature generally acts on budget matters during January through May. The Governor has veto authority and generally acts on those matters in June. The Department distributes funds available internally based on district and the headquarters units input and feedback. This is then submitted to the Commission for approval.

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2002

Assets	General Revenue and MO Federal	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	Total
Cash and investments	\$ 789,811	310,480	6,172,551	273,849	7,546,691
Miscellaneous receivables	—	—	31,940	9,172	41,112
Due from federal government	4,164,647	—	—	—	4,164,647
Taxes receivable - due from other funds	—	144,616	318,544	—	463,160
Loans receivable	—	—	—	2,592,046	2,592,046
Total assets	<u>\$ 4,954,458</u>	<u>455,096</u>	<u>6,523,035</u>	<u>2,875,067</u>	<u>14,807,656</u>
Liabilities and Fund Equity					
Vouchers payable	\$ 4,374,084	—	221,563	—	4,595,647
Deferred revenue	367,715	—	—	—	367,715
Due to other funds	20,150	—	8,892	—	29,042
Total liabilities	<u>4,761,949</u>	<u>—</u>	<u>230,455</u>	<u>—</u>	<u>4,992,404</u>
Fund Balance					
Fund balance	192,509	455,096	6,292,580	283,021	7,223,206
Reserve for loans receivable	—	—	—	2,592,046	2,592,046
Total fund balance	<u>192,509</u>	<u>455,096</u>	<u>6,292,580</u>	<u>2,875,067</u>	<u>9,815,252</u>
Total liabilities and fund balance	<u>\$ 4,954,458</u>	<u>455,096</u>	<u>6,523,035</u>	<u>2,875,067</u>	<u>14,807,656</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds

Year ended June 30, 2002

	General Revenue and MO Federal	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	Total
Revenues:					
Fuel tax	\$ —	—	283,321	—	283,321
Sales and use tax	—	1,748,818	4,304,180	—	6,052,998
Intergovernmental/cost reimbursements/ miscellaneous	1,712,613	—	—	—	1,712,613
Investment and interest	—	368	75,000	109,310	184,678
Federal government	22,190,029	—	—	—	22,190,029
Total revenues	23,902,642	1,749,186	4,662,501	109,310	30,423,639
Expenditures:					
Multimodal operations	33,277,659	9,701,218	7,619,379	—	50,598,256
Other state agency	—	—	43,377	5,528	48,905
Total expenditures	33,277,659	9,701,218	7,662,756	5,528	50,647,161
Excess of revenues over (under) expenditures	(9,375,017)	(7,952,032)	(3,000,255)	103,782	(20,223,522)
Other financing sources – Transfers related to appropriations	9,268,222	8,116,938	—	—	17,385,160
Excess of revenues and other financing sources over (under) expenditures	(106,795)	164,906	(3,000,255)	103,782	(2,838,362)
Fund balance, beginning of year	299,304	290,190	9,292,835	2,771,285	12,653,614
Fund balance, end of year	\$ 192,509	455,096	6,292,580	2,875,067	9,815,252

See accompanying independent auditors' report

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Balance Sheet – All Internal Service Funds

June 30, 2002

Assets	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Total
Cash	\$ 8,946,554	—	8,946,554
Investments	—	21,809,970	21,809,970
Prepaid expense	117,822	—	117,822
Miscellaneous receivables	154,117	218,825	372,942
Total assets	<u>\$ 9,218,493</u>	<u>22,028,795</u>	<u>31,247,288</u>
Liabilities and Net Assets			
Liabilities:			
Vouchers payable	\$ 1,266,727	169,169	1,435,896
Estimated pending self-insurance claims	—	23,314,864	23,314,864
Deferred revenue	4,426,660	—	4,426,660
Estimated incurred but not reported claims	9,200,000	11,305,546	20,505,546
Total liabilities	14,893,387	34,789,579	49,682,966
Net assets unrestricted - accumulated deficit	<u>(5,674,894)</u>	<u>(12,760,784)</u>	<u>(18,435,678)</u>
Total liabilities and net assets	<u>\$ 9,218,493</u>	<u>22,028,795</u>	<u>31,247,288</u>

See accompanying independent auditors' report.

MISSOURI DEPARTMENT OF TRANSPORTATION

Combining Statement of Revenues, Expenses, and Changes
in Retained Earnings (Deficit) – All Internal Service Funds

Year ended June 30, 2002

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Total
Operating revenues:			
Insurance premiums:			
Highway workers' compensation	\$ —	6,838,990	6,838,990
Highway patrol workers' compensation	—	2,534,582	2,534,582
Highway fleet vehicle liability	—	885,876	885,876
General liability	—	1,482,828	1,482,828
Contributions:			
State	34,178,949	—	34,178,949
Member	21,190,845	—	21,190,845
Other	483,456	233,189	716,645
Total operating revenues	<u>55,853,250</u>	<u>11,975,465</u>	<u>67,828,715</u>
Operating expenses:			
Program	—	579,858	579,858
Self-insurance claims:			
Highway workers' compensation	—	10,706,243	10,706,243
Highway patrol workers' compensation	—	2,018,324	2,018,324
Highway fleet vehicle liability	—	1,674,295	1,674,295
Highway general liability	—	5,997,888	5,997,888
Medical and life:			
Insurance premium	4,522,578	—	4,522,578
Claims	37,495,066	—	37,495,066
Administrative service	1,979,526	—	1,979,526
Prescription drugs	10,121,098	—	10,121,098
Professional fees	110,587	—	110,587
Other	28,594	—	28,594
Total operating expenses	<u>54,257,449</u>	<u>20,976,608</u>	<u>75,234,057</u>
Operating income (loss)	<u>1,595,801</u>	<u>(9,001,143)</u>	<u>(7,405,342)</u>
Nonoperating revenues:			
Interest income	179,152	1,123,028	1,302,180
Net increase in fair value of investments	—	33,951	33,951
Total nonoperating revenues	<u>179,152</u>	<u>1,156,979</u>	<u>1,336,131</u>
Net income (loss)	<u>1,774,953</u>	<u>(7,844,164)</u>	<u>(6,069,211)</u>
Net assets (accumulated deficit) at beginning of year	<u>(7,449,847)</u>	<u>(4,916,620)</u>	<u>(12,366,467)</u>
Net assets (accumulated deficit) at end of year	<u>\$ (5,674,894)</u>	<u>(12,760,784)</u>	<u>(18,435,678)</u>

See accompanying independent auditors' report

MISSOURI DEPARTMENT OF TRANSPORTATION
Combining Statement of Cash Flows – All Internal Service Funds
Year ended June 30, 2002

	Highway Employees' and Highway Patrol Insurance Plan	Self- Insurance	Totals
Cash flows from operations:			
Receipts from customers	\$ 55,805,382	12,057,333	67,862,715
Payment to suppliers	<u>(52,050,709)</u>	<u>(14,200,894)</u>	<u>(66,251,603)</u>
Net cost provided by (used in) operating activities	<u>3,754,673</u>	<u>(2,143,561)</u>	<u>1,611,112</u>
Cash flows from investing activities:			
Sale of investments	—	16,005,446	16,005,446
Purchase of investments	—	<u>(15,071,785)</u>	<u>(15,071,785)</u>
Interest on investments	<u>179,152</u>	<u>1,123,028</u>	<u>1,302,180</u>
Net cash provided by (used in) investing activities	<u>179,152</u>	<u>2,056,689</u>	<u>2,235,841</u>
Net increase (decrease) in cash and cash equivalents	3,933,825	<u>(86,872)</u>	3,846,953
Cash and cash equivalents at beginning	<u>5,012,729</u>	<u>86,872</u>	<u>5,099,601</u>
Cash and cash equivalents at end of year	<u>\$ 8,946,554</u>	<u>—</u>	<u>8,946,554</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 1,595,801	<u>(9,001,143)</u>	<u>(7,405,342)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating loss activities:			
(Increase) decrease in receivables	<u>(47,868)</u>	81,868	34,000
Increase in prepaid expenses	<u>(117,822)</u>	—	<u>(117,822)</u>
Increase in accounts payable	541,571	6,775,714	7,317,285
Decrease in deferred revenue	<u>1,782,991</u>	<u>—</u>	<u>1,782,991</u>
Net cash provided by (used in) operating activities	<u>\$ 3,754,673</u>	<u>(2,143,561)</u>	<u>1,611,112</u>

See accompanying independent auditors' report.